

Power Distribution

Industry Code (as per CMIE Prowess): 0101030210000000'

June 2022

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 19 Companies

Median Rating Value of sample size: BBB

Individual Parameters Contributing to the Score

Demand & Supply Balance



12/20

DS Equilibrium

The power distribution companies (discoms) act as interface between consumer and power utilities. Most of the states have their own discoms, which supply power to all the categories of consumers - retail, industrial, commercial & agricultural. There are private discoms in certain geographies and Government has been supporting increasing privatization of distribution. There is limited demand supply risk.

Extent of Competition



16/20

Low competition/ Entry Barriers

Due to limited presence of private players, level of competition is limited. Discoms therefore maintain near monopoly over their respective geographies.

Regulatory Risk



16/20

Stable Regulatory environment

The Government has been supportive of the distribution segment through various schemes like UDAY (Ujjwal Discoms Assurance Yojana). In view of the poor liquidity profile of the discoms and its impact on the overall power sector, the Government has been mulling new reforms to further improve the operational and financial management of the state owned discoms. The tariff revision of the discoms is subject to the respective State Electricity Regulatory Commissions (SERCs).

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions/fairly predictable price band

The industry remains highly leveraged but funding flexibility remains to a large extent as most of them are SPSUs. There is scope for improvement in certain operational parameters like AT&C losses (Aggregate Technical & Commercial losses) and ARR-ACS Gap (Gap between average cost of supply and average revenue realized) vis a vis the UDAY targets. National Smart Grid Mission has helped in reducing costs and increasing efficiencies.